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STUDY ON COMPARATIVE ANALYSIS OF RISING NON-PERFORMING ASSETS OF BANK OF MAHARASHTRA AND ICICI BANK

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ABSTRACT

The banking industry plays a crucial role in the financial and economic growth of a country. A well-functioning banking sector acts as a catalyst in achieving rapid economic development by providing a stable financial system, mobilizing savings, channeling funds to productive sectors, facilitating transactions, and supporting monetary policy. However, one challenge that banks face is the issue of Non-Performing Assets (NPA), which refers to loans that are not repaid by borrowers as per the agreed terms. In conclusion, high levels of NPAs can have several limitations on the banking sector and the economy, including reduced incomes, unrecoverable principal amounts, negative indicators, operational inefficiency, political interference, and constraints on financing for certain sectors. Effective management of NPAs is crucial for maintaining a healthy banking sector and supporting sustainable economic growth. The present comparative study is aim to know NPAs of Bank of Maharashtra(BOM) and ICICI bank the study applied quantitative research method. In this paper, the NPAs of public and private sector banks in India has been compared over a period of last five financial years. It has been observed that the percentage of net NPAs to net advances in public sector banks is varied between 3.1-0.9. In case of private sector banks, it varied between 2.4-0.4. The collected data is analyzed using descriptive analysis, chi square test, etc. This study also identifies the cause of the increasing non-performing assets in the banks and a few suggestions.

KEYWORDS *Total advances; net profits; gross NPA; net NPA*

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INTRODUCTION

Banks are indeed the backbone of any economy, as they play a vital role in providing financial resources to individuals, corporations, governments, and sectors in need, which in turn supports economic development (Marois, 2012). The health of a country's economy is closely linked to the financial status of its banks.

India, being a developing nation with a commendable growth rate compared to other economies, has faced challenges with the issue of Non-Performing Assets (NPAs) in its banking sector. NPAs are loans in which the borrower has failed to pay either the interest or principal amount for at least ninety days, leading to concerns about their impact on the overall financial stability (Barge, 2012).

Efforts have been made by the Indian government and regulators to address the issue of NPAs, including measures such as asset quality reviews, recapitalization of banks, and implementation of bankruptcy and insolvency laws (Kanoujiya et al., 2021). However, effectively managing NPAs remains a critical challenge for the Indian banking sector to ensure a healthy financial system and support sustainable economic growth (Kaur & Singh, 2011).

NPAs can have a significant adverse effect on banks' financial statements, which in turn can reduce investor confidence in the banking sector (Singh, 2013). The financial crisis of 2008, which originated in the USA and had global repercussions, was triggered in part by the bankruptcy of several financial institutions, highlighting the importance of sound asset quality and risk management in the banking system.

When banks have a high level of NPAs, it can erode their profitability, capital adequacy, and liquidity (Sharma, 2005). This can weaken their financial statements, including their balance sheets and income statements, which are critical indicators of a bank's financial health. Investors rely on these financial statements to assess the performance and stability of banks, and high NPAs can signal increased credit risk and financial instability.

Reduced investor confidence in banks can have broader implications for the financial system and the economy. It can lead to reduced investments in banks, lower valuations of bank stocks, and higher borrowing costs for banks. This can constrain banks' ability to raise capital and access funding, which in turn can limit their lending capacity and negatively impact economic growth.

Furthermore, high levels of NPAs can also disrupt liquidity in the market. Banks facing NPA challenges may be constrained in their ability to provide liquidity to other market participants, leading to potential disruptions in the interbank lending market and overall liquidity conditions. This can have ripple effects on other financial institutions, businesses, and consumers, further amplifying the impact on the broader economy.

Hence, managing NPAs and maintaining a healthy banking system is crucial for maintaining investor confidence, ensuring financial stability, and supporting sustainable economic growth. It requires effective risk management practices, robust regulatory oversight, and timely resolution mechanisms to address NPAs and maintain the stability and resilience of the banking sector.

Implementing strict lending practices, focusing on borrower selection based on their creditworthiness and ability to repay loans, and adopting robust credit risk management measures are essential to minimize the chances of new NPAs.

Recent developments, such as the implementation of the Insolvency and Bankruptcy Code (IBC), tightening credit monitoring, and stricter NPA recovery measures, are steps in the right direction to address the NPA issue (Kishnani, 2018). The IBC has streamlined the insolvency and bankruptcy resolution process, providing a time-bound framework for resolving stressed assets, and enabling faster recovery of dues for banks and other creditors (Kattadiyil et al., 2020). This has helped in improving the recovery of NPAs and reducing the timelines for resolution.

Corporate governance issues, such as ensuring transparency, accountability, and integrity in banking operations, are also crucial in managing NPAs. Effective corporate governance practices can help in early identification of risks and prompt action to mitigate them, thereby minimizing the impact on asset quality.

Raising capital is another important strategy to address the problem of NPAs. Banks should explore various avenues to raise capital, such as using unclaimed deposits, monetization of assets held by banks, refinancing from central banks, and attracting private capital through structural changes. Sufficient capital buffers can help banks absorb losses arising from NPAs and maintain their solvency and stability.

In addition to these measures, coordination between policy makers, regulators, and banks is crucial to tackle the issue of NPAs effectively. Regular monitoring, supervision, and timely interventions by regulators can help in identifying and resolving NPA-related issues early on. Policy makers can also support banks by providing a conducive regulatory environment, promoting credit discipline, and addressing structural issues in the economy that may impact the asset quality of banks.

Overall, a multi-faceted approach that includes prudent lending practices, effective credit risk management, timely resolution mechanisms, corporate governance, capital raising, and supportive regulatory policies is essential to address the issue of NPAs and maintain a healthy and stable banking system that can contribute to the economic growth and development of a country.

The research conducted by Nitesh, et al (2021) critically evaluates the trend in movement of nonperforming assets of public sector banks in India during the period 2000-01 to 2011-12, thereby facilitates an evaluation of the effectiveness of NPA management in the post-millennium period. The non-performing assets is not a function of loan/advance alone, but is influenced by other bank performance indicators and also by the macroeconomic variables. In addition to explaining the trend in the movement of NPA, this research also explained the moderating and mediating role of various bank performance and macroeconomic indicators on incidence of NPA.

The research conducted by Hafsal, et al (2020) examines the determinants of non-performing assets (NPA) of Selected Co-Operative Banks in India during the period 2016-17 to 2020-21, and adds to the non-performing assets literature in three ways. Earlier studies focused on one aspect of the bank. However, we have tried to capture the business performance not only at the functional level but also at the corporate level. The functional level of a bank was captured through the operational, liquidity and solvency indicators, while the banks' business growth strategy (in terms of asset growth) at the corporate level was captured using business development capacity as a proxy. If banks followed an aggressive growth strategy they would witness higher NPAs.

The research conducted by Koley (2019) made attempt to measure the financial position, performance and efficiency of the largest public sector bank (SBI) and private sector bank (HDFC). The objective of the study is to identify financial position and performance of the selected banks and to examine whether any significant difference exists in their performance. The study is based on secondary data which has been collected from annual reports of the selected banks covering a period of five years from 2013-14 to 2017- 18. The CAMEL model has been used to assess the financial strength of the selected banks. T-test has been used on the important parameters like capital adequacy, asset quality, management efficiency, earnings ability and liquidity to draw the conclusion the study.

The research conducted by Banerjee, et al (2018) made attempt to understand what has been the status of the Gross NPAs and Net NPAs in both the private sector banks and public sector banks during the last few years and to analyse whether it has any impact on the asset quality of the banks or not.

The research conducted by Shah (2016) focused on studying the non-performing assets (NPA) of two leading private sector banks in India, ICICI Bank and HDFC Bank. The researchers aimed to understand the lending and credit policy operations of these banks and suggested steps to reduce NPA. The researchers analyzed the gross and net NPA of both ICICI Bank and HDFC Bank using tables and graphs for a 5-year period from FY2010-11 to FY2014-15. They found that ICICI Bank maintained its gross NPA near 3% according to international standards, which was considered impressive. However, HDFC Bank performed even better, with gross NPA values near 1% and net NPA values less than 1%. Based on their analysis, the researchers concluded that both ICICI Bank and HDFC Bank were performing well in managing their non-performing assets. However, HDFC Bank was noted to be performing exceptionally well compared to ICICI Bank, as it maintained lower NPA levels. The findings of this research highlight the relative performance of these two private sector banks in managing NPAs and suggest that HDFC Bank had better NPA management practices during the period analyzed.

The research conducted by Mohnani (2013) focused on examining and comparing the gross NPAs and net NPAs of selected public and private sector banks in India. The study included four public sector banks, namely State Bank of India, Punjab National Bank, Bank of Baroda, and Bank of India, and four private sector banks, namely ICICI Bank, HDFC Bank, AXIS Bank, and Federal Bank. The data for the study was collected for a 5-year period from FY11 to FY15, and various statistical tools such as mean, standard deviation, and coefficient of variance were used for analysis. The findings of the study revealed that public sector banks had higher NPA ratios compared to private sector banks during the period of study. The gross and net NPA ratios of selected public sector banks showed an increasing trend over the period analyzed. This suggests that public sector banks faced challenges in managing their non-performing assets during the years under review. The results of this research provide insights into the relative performance of public and private sector banks in managing NPAs and highlight the increasing trend of NPA ratios in selected public sector banks. This information can be useful for policymakers and stakeholders in formulating strategies to address the NPA issue in the Indian banking industry.

The research conducted by Singh (2016) focused on the status of non-performing assets (NPAs) of scheduled commercial banks in India and their impact on these banks. The study aimed to uncover the channels through which recovery of NPAs can be done. One of the major findings of the study was that the percentage of NPAs as a proportion of net advances was at its lowest at 1.0% during FY2008 and FY2009, and highest at 5.5% during FY2002. It was observed to be 2.2% in FY2014, and the average percentage of net NPAs during FY2002 to FY2014 was around 2.0%. This suggests that there has been a fluctuating trend in NPAs over the years, with varying levels of NPA ratios during different fiscal years. The study also identified ineffective recovery, willful defaults, and defective lending processes as important factors responsible for the rise of NPAs in banks. These findings highlight the need for effective recovery mechanisms and robust lending processes to mitigate the NPA issue in Indian scheduled commercial banks. The research provides insights into the status of NPAs in Indian banks and their impact on the banking sector. The findings can be valuable for policymakers, regulators, and banks in formulating strategies to address and manage NPAs effectively, and to ensure a healthy and stable banking system in India.

The research conducted by Mohnani (2015) aimed to study the trends in NPA levels and highlight the position of NPAs in selected Public Sector Banks (PSBs) and private banks in India. The study focused on assessing the comparative position of NPA in State Bank of India (SBI) and Punjab National Bank (PNB) as selected PSBs, and HDFC Bank and ICICI Bank as selected private banks. The period covered in the study was from FY2003 to FY2012, with a focus on analyzing the NPA ratio variation data over FY2012. The findings of the study revealed that the gross NPA ratio of PNB was lower than that of SBI, and it had reduced over the period under study. This suggests that PNB had managed to improve its NPA situation compared to SBI during the years analyzed. The research provides insights into the comparative position of NPAs in selected PSBs and private banks in India, and highlights the trend in NPA levels. The findings can be useful for policymakers, regulators, and stakeholders in understanding the NPA situation in these banks and formulating strategies to address and manage NPAs effectively.

The scope of the study is focused on conducting a comparative analysis of non-performing assets (NPAs) based on secondary data collected from the annual reports of Bank of Maharashtra (BOM) and ICICI Bank for the past five years. The specific objectives of the study are: (1) to analyze and compare the trends of NPAs in BOM and ICICI Bank over the past five years, (2) to identify and list the key causes or factors contributing to the occurrence of NPAs in BOM and ICICI Bank, and (3) to compare the financial performance of BOM and ICICI Bank in terms of their total advances (loans and advances), net profit, gross NPA (non-performing assets before provisioning), and net NPA (non-performing assets after provisioning). Moreover, the aim of the study is to investigate whether changes in net NPA have an impact on net profits, and if so, whether this impact is positive or negative.

RESEARCH METHOD

The present study is based entirely on secondary data collected from various web sources, such as annual reports of the respective banks, information bulletins, and journals. The data has been analyzed using correlation analysis with the help of SPSS software. The study focuses on the relationship between NPA (non-performing assets) as the independent variable and net profit as the dependent variable.

The aim of the study is to investigate whether changes in net NPA have an impact on net profits, and if so, whether this impact is positive or negative. The study will use statistical tools such as correlation analysis to determine the strength and direction of the relationship between net NPA and net profits. Additionally, charts and tables will be utilized to compare and present the findings of various parameters.

The study's methodology involves analyzing and interpreting the collected data to understand how changes in NPA levels may influence net profit outcomes for the banks under study. The use of SPSS software and statistical analysis will provide quantitative insights into the relationship between NPA and net profit, and the findings will contribute to a better understanding of the impact of NPAs on the financial performance of banks.

RESULT AND DISCUSSION

The study focuses on various parameters including total advances, gross NPA, net NPA, and net profit for a comparative analysis of both banks over the past 5 years. These parameters are essential indicators of the financial performance of the banks and can provide insights into the trends and changes in their operations and profitability. Net profit, as the dependent variable in the study, represents the profitability of the banks after accounting for all expenses and provisions, including those related to NPA. By analyzing these parameters over the past 5 years, the study aims to identify trends and patterns in the performance of the banks and understand the relationship between changes in NPA levels and their impact on net profits.

Table 1. BOM & ICICI Bank - Total Advances, Net Profit, Gross NPA & Net NPA(in Crores)

FY	Total Advances		Net Profit		Gross NPA		Net NPA	
	BOM	ICICI	BOM	ICICI	BOM	ICICI	BOM	ICICI
2018	**85,797**	**5,12,395**	**(1,146)**	**6,777**	**18,433**	**54,063**	**9,641**	**27,886**
2019	**82,666**	**5,86,647**	**(4,784)**	**3,363**	**15,324**	**46,292**	**4,559**	**13,577**
2020	**86,872**	**6,45,290**	**389**	**7,931**	**12,152**	**41,409**	**4,145**	**10,113**
2021	**1,02,405**	**7,33,729**	**550**	**16,193**	**7,780**	**46,291**	**2,544**	**9,180**
2022	**1,31,170**	**8,59,020**	**1152**	**23,339**	**5,327**	**54,052**	**1,276**	**6,960**

(Source: Annual reports- www.bankofmaharashtra.in, www.icicibank.com)

Table 1 presents a comparison of total advances, net profit, gross NPA, and net NPA for Bank of Maharashtra (BOM) and ICICI Bank over the years FY2018 to FY2022, as sourced from the respective banks' annual reports.

The table shows that BOM's total advances have been consistently decreasing over the years, while ICICI Bank's total advances have been increasing. The net profit earned by both banks has been fluctuating during this period, indicating variable profitability.

In terms of gross NPA and net NPA, BOM has shown a declining trend from FY2018 to FY2022, with gross NPA decreasing from 18,433 crores in FY2018 to 5,327 crores in FY2022, and net NPA decreasing from 9,641 crores in FY2018 to 1,276 crores in FY2022. This suggests that BOM has been able to manage its NPA levels and improve its performance.

On the other hand, ICICI Bank has also shown a decreasing trend in gross NPA and net NPA from FY2018 to FY2022, with gross NPA decreasing from 54,063 crores in FY2018 to 54,052 crores in FY2021, and net NPA decreasing from 27,886 crores in FY2018 to 6,960 crores in FY2022. However, ICICI Bank's NPA levels have been consistently higher than those of BOM, indicating a relatively better performance in managing NPA levels.

Overall, the table suggests that ICICI Bank has performed better than BOM in terms of managing NPA levels, with lower NPA levels and higher profitability. However, further analysis and statistical tests would be needed to ascertain the significance of these findings and draw conclusive conclusions about the impact of NPA levels on net profit for both banks.

Table 2. Gross NPA of Bank of Maharashtra and ICICI Bank

FY	% of Gross NPA Bank of Maharashtra	% of Gross NPA ICICI Bank
2018	**19.48**	**8.84**
2019	**16.40**	**6.70**
2020	**12.81**	**5.53**
2021	**7.23**	**4.96**
2022	**3.94**	**3.60**

(Source: Annual reports- www.bankofmaharashtra.in, www.icicibank.com)

Table 2 presents a comparison of the percentage of gross NPA for Bank of Maharashtra (BOM) and ICICI Bank over the years FY2018 to FY2022, as sourced from the respective banks' annual reports.

The table shows that BOM had a higher percentage of gross NPA compared to ICICI Bank in all the years from FY2018 to FY2022. In FY2018, BOM had a gross NPA percentage of 19.48%, while ICICI Bank had a lower gross NPA percentage of 8.84%. Similarly, in FY2019, BOM had a gross NPA percentage of 16.40%, while ICICI Bank had a lower gross NPA percentage of 6.70%. This trend continued in FY2020, 2021 and 2022, with BOM consistently showing a higher gross NPA percentage compared to ICICI Bank.

It is also observed that from 2018 onwards, both banks showed a downward trend in gross NPA percentage, suggesting an improvement in asset quality.

Overall, the table suggests that BOM had a higher percentage of gross NPA compared to ICICI Bank over the years, indicating higher levels of non-performing assets. However, it is important to note that gross NPA percentage is just one parameter to assess the performance of banks, and further analysis is required to understand the reasons behind the trends and the overall financial health of the banks.

Table 3. Net NPA of Bank of Maharashtra and ICICI Bank

FY	Percentage of Net NPA	Percentage of Net NPA
	Bank of Maharashtra	**ICICI Bank**
2018	**11.24**	**4.77**
2019	**5.52**	**2.06**
2020	**4.77**	**1.41**
2021	**2.48**	**1.14**
2022	**0.97**	**0.76**

(Source: Annual reports- www.bankofmaharashtra.in, www.icicibank.com)

Table 3 presents a comparison of the percentage of net NPA for Bank of Maharashtra (BOM) and ICICI Bank over the years FY2018 to FY2022, as sourced from the respective banks' annual reports.

The table shows that BOM had a higher percentage of net NPA compared to ICICI Bank in all the years from FY2018 to FY2022, indicating a higher level of non-performing assets after accounting for provisions and write-offs. However, it is noteworthy that both banks have shown a declining trend in net NPA percentage from FY2018 to FY2022.

In FY2018, BOM had a net NPA percentage of 11.24%, while ICICI Bank had a lower net NPA percentage of 4.77%. Similarly, in FY2019, BOM had a net NPA percentage of 5.52%, while ICICI Bank had a lower net NPA percentage of 2.06%. This trend continued in FY2020, FY2021, and FY2022, with BOM consistently showing a higher net NPA percentage compared to ICICI Bank, although the net NPA percentages for both banks decreased over these years.

The relationship between net profit and net NPA is an important indicator of a bank's financial health. Generally, a higher net NPA percentage indicates a higher proportion of non-performing assets compared to the bank's net profit, which can impact the bank's profitability and financial stability. Therefore, a declining trend in net NPA percentage, as observed in both BOM and ICICI Bank from FY2018 to FY2022, can be considered positive as it suggests an improvement in asset quality and potentially better profitability for the banks.

However, it is important to note that net NPA percentage is just one parameter to assess a bank's performance, and a comprehensive analysis including other financial ratios, risk management practices, and overall economic conditions is necessary to fully understand the banks' financial performance and stability.

Hypothesis

Based on the analysis of the data provided, the hypothesis for the study is as follows:

H0 - There is no linear relationship between net profit and net NPA

H1 - There is linear relationship between net profit and net NPA

The significance level used for testing the hypothesis is 5%.

Table 4. Net Profit and Net NPA of Bank of Maharashtra

Year	Net Profit	Net NPA
2018	**(1,146)**	**27,886**
2019	**(4,784)**	**4,559**
2020	**389**	**4,145**
2021	**550**	**2,544**
2022	**1152**	**1,276**
Coefficient of Correlation= -0.37		

Descriptive Statistics			
Parameter	Mean	Standard deviation	N
Net profit	-767.8	2399.65	5
Net NPA	4433	3192.06	5
Correlations			
		Net profit	Net NPA
	Pearson Correlation	1	-0.37
Net profit	Level of Significance	---	0.63
	N	5	5
	Pearson Correlation	-0.37	1
Net NPA	Level of Significance	0.63	--
	N	5	5

The correlation coefficient between net profit and net NPA is calculated to be -0.37, indicating a negative relationship between the two variables, where an increase in net NPA is associated with a decrease in net profit.

The t-test statistic calculated for testing the significance of the correlation coefficient is -0.37, which falls within the acceptance region as the critical value for a two-tailed t-test with a significance level of 5% is -2.91. This implies that there is not sufficient evidence to reject the null hypothesis. Therefore, the study concludes that the correlation coefficient is not statistically significant, and there is no significant linear relationship between net profit and net NPA based on the data analyzed.

Table 5. Net Profit and Net NPA of ICICI Bank

Year	Net Profit	Net NPA
2017-18	**6,777**	**27,886**
2018-19	**3,363**	**13,577**
2019-20	**7,931**	**10,113**
2020-21	**16,193**	**9,180**
2021-22	**23,339**	**6,960**
Coefficient of Correlation=-0.5679		

Descriptive Statistics			
Parameter	Mean	Standard deviation	N
Net profit	11520.6	8115.4	5
Net NPA	13543.2	8364.9	5

Based on the updated information from Table 5, which shows a coefficient of correlation equal to -0.5679 between net profit and net NPA for ICICI Bank, it can be concluded that there is negative correlation between the two variables. This suggests that as net NPA increases, net profit also decreases for ICICI Bank. This conclusion aligns with the logical expectation that the profitability of a bank depends on the recovery of loans, and the existence of bad loans (i.e., higher net NPA) could potentially jeopardize it.

The t-test statistic calculated for testing the significance of the correlation coefficient is -0.5679, which falls within the acceptance region as the critical value for a two-tailed t-test with a significance level of 5% is 0.3889. This implies that there is not sufficient evidence to reject the null hypothesis. Therefore, the study concludes that the correlation coefficient is not statistically significant, and there is no significant linear relationship between net profit and net NPA based on the data analyzed.

As for Bank of Maharashtra (BOM), the insignificant correlation coefficients between net profit and net NPA may be due to other factors, such as ROA (Return on Assets), ROE (Return on Equity), Capital Adequacy Ratio, and net interest margins, which could be impacting the profitability of the bank. It's possible that the rise in net interest margins is offsetting the impact of rising NPAs, resulting in a weaker correlation between net profit and net NPA for BOM. Further analysis would be needed to understand the specific factors influencing the financial performance of BOM and draw accurate conclusions.

It's important to note that correlation does not imply causation, and other factors beyond net NPA may also be influencing the profitability of banks. Additionally, the specific context of each bank and the broader economic environment should be taken into consideration when interpreting the results.

Causes of NPA

The causes of Non-Performing Assets (NPA) in banks can be attributed to various factors, including:

1) Speculation: Banks may invest in high-risk assets in order to earn higher income and achieve quick growth. However, these speculative investments may not yield the expected returns, leading to NPAs
2) Economic cycles: During periods of economic boom, banks may relax lending norms and extend credit to borrowers who may not have the ability to repay the loans. This can result in a higher level of NPAs when the economic cycle turns downward.
3) Relaxation of lending norms: Banks may relax their lending norms, such as lowering credit standards or not conducting proper due diligence on borrowers,

which can result in higher NPAs as loans may not be repaid as per the original terms.

4) Government policies: Changes in government policies, regulations, or economic conditions can impact the repayment capacity of borrowers, leading to NPAs in banks.
5) Willful defaults: Some borrowers may intentionally default on their loan payments, either by diverting funds for personal gain or through fraudulent activities, leading to NPAs.
6) Technological obsolescence: Borrowers who fail to adopt modern technology or upgrade their operations may face challenges in generating adequate cash flows to repay loans, resulting in NPAs.
7) Lack of credit monitoring: Banks that do not have robust credit monitoring mechanisms in place may fail to identify early warning signals of potential defaults, leading to NPAs.
8) Inadequate NPA management: Banks that do not have effective strategies in place for managing NPAs, such as timely resolution, recovery, and restructuring of loans, may experience higher levels of NPAs.
9) Resource crunch: Borrowers facing resource crunch, such as lack of working capital or funds to repay loans, may default on their loan payments, resulting in NPAs.

It's important to note that NPAs can arise from a combination of factors, and the specific causes may vary depending on the economic and regulatory environment, borrower behavior, and bank practices. Proper risk management, credit assessment, and monitoring mechanisms, along with effective NPA management strategies, are crucial for banks to mitigate the risk of NPAs and maintain healthy financial performance.

Findings of study

The following findings were drawn from the above data analysis:

1) Total advances: Both Bank of Maharashtra (BOM) and ICICI Bank have shown an upward trend in total advances over the years, indicating growth in their lending portfolios.
2) Net profits: BOM has experienced fluctuations in net profits over the years, while ICICI Bank has maintained a relatively consistent level of around 11520 crores. This suggests that ICICI Bank has been able to maintain stability in its net profit performance compared to BOM.
3) % Gross NPA: ICICI Bank, a private sector bank, has performed better than BOM, a public sector bank, in terms of % gross NPA. This indicates that ICICI Bank has managed to keep a lower level of non-performing assets as a percentage of its total advances compared to BOM.
4) % Net NPA: Both BOM and ICICI Bank have shown a decreasing trend in % net NPA over the last two years, indicating a reduction in their non-performing assets. This implies that both banks have been successful in managing and resolving their NPAs.
5) Coefficient of correlation for BOM: The coefficient of correlation between net profit and net NPA for BOM was found to be -0.37, indicating a weak negative

correlation. This means that as the NPA level increases, the net profit of BOM tends to decrease.

6) Coefficient of correlation for ICICI Bank: The coefficient of correlation between net profit and net NPA for ICICI Bank is -0.5679, indicating a strong positive correlation.This means that as the NPA level decreases, the net profit of ICICI Bank tends to increase.

These findings suggest that ICICI Bank has a stronger positive correlation between net profit and net NPA, indicating that an increase in net NPAs may result in higher net profits for the bank. On the other hand, BOM has a weak negative correlation between net profit and net NPA, suggesting that an increase in NPAs may lead to lower net profits for the bank. Proper management of NPAs is crucial for banks to maintain profitability and financial stability.

CONCLUSION

In conclusion, managing nonperforming assets (NPAs) is a significant challenge for banks in the banking industry. NPAs have a multi-dimensional effect on the operations, performance, and position of banks, making it crucial for banks to effectively manage them. The findings of the study highlight the status of NPAs for Bank of Maharashtra (BOM) and ICICI Bank.

The study concludes that NPAs are a major challenge for both ICICI Bank and BOM, as they can lead to a decrease in liquidity balance and create bad debts for the banks. Fluctuations in NPA levels over the years can also affect profitability. Comparing the two banks, ICICI Bank has higher NPAs compared to BOM, and one possible reason for this could be a sharp rise in provisioning for bad loans. However, BOM has managed to keep its profits consistent, indicating relatively better overall management of resources.

On the other hand, ICICI Bank has seen a continuous increase in net NPAs since 2014, but the situation is relatively better compared to BOM. ICICI Bank's profits have not experienced sharp rises or falls. The correlation coefficient for BOM between net profit and net NPA is -0.37, indicating a high degree of negative correlation, while ICICI Bank has a strong positive correlation of -0.5679. However, since these coefficients were found to be insignificant, further detailed studies can be conducted to identify the impact of various other factors on bank profits.

In conclusion, managing NPAs is crucial for banks to maintain their profitability and financial stability. Further research and analysis can provide insights into the complex dynamics of NPAs and their impact on banks' performance.

Bank of Maharashtra has been taking measures to address the issue of rising NPAs. These measures include strengthening credit appraisal and monitoring processes, implementing recovery mechanisms, improving risk management practices, and focusing on resolution and recovery of stressed assets. The bank has also been working on strategies to diversify its loan portfolio and reduce concentration risks.

ICICI Bank has implemented various measures to address the issue of NPAs. These measures include robust credit appraisal and monitoring processes, proactive identification and resolution of stressed assets, effective risk management practices, and strengthening recovery mechanisms. The bank has also been focusing on diversifying its loan portfolio across various sectors and segments to manage risk effectively.

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